July 1984 $4.50

Why Majors Are Split Over Alcohol Fuels
How a Small Jobber's Carwash Pays Off
Ex-Gulf Exec's Perspectives on Futures

NPN

National Petrol...
A PUBLICATION FOR MARKETING MANAGEME... .../AFTERMARKET

14 GUSCOUCR462ESO HP8
SRI ACQUISITIONS
ACCUFOIL/OP SRI
CONOCO/ESSIONALINED SERVIC
4620 EAST-WEST HWY STE PO
BETHESDA MD 20814

Another Summer of Tough Competition

Will the Casualties Mount?

NATIONAL PETROLEUM NEWS

JULY 1984 VOL. 76 NO. 7

20 Regional News

20 South
Diamond Shamrock expands, remodels to boost volume

21 West Coast
Texaco's System 2000 is heading West in a big way

22 Rockies
Husky changes presage purchase, if crude can be guaranteed

24 Midwest
Marketers hope summer demand will help low prices, margins

25 East Coast
Sun tank leak settlement sets precedent

28 General News

28 SIGMA, API meetings unite marketers, but PMPA divides

29 Ultramar to purchase Augsbury?

30 Secondary storage surprisingly high, underused, flexible

31 Charter's Raymond Mason resigns as chairman and CEO

31 Shell offers rebates as building incentive

33 Ecol sold to Marathon

33 Chicago indie lowers his 'Flagg' and raises Arco's

34 Sun sells Virginia outlets, takes 'Ultra' Northeast

34 Amoco's Texas City refinery turns 50

34 Americans plan more summer trips

38 Features

38 Cover report
Another summer of tough competition
Will the casualties mount?

42 Alcohol Fuels
Majors scramble to take sides over alcohol blends

49 Management
How a small jobber makes money with carwash combo

51 Fuel Oil
Jobbers look for repeat promotional performance

53 Futures
Outlook is bright as majors join trading fray

61 Legal—Sam Borenkind
'Placebo' laws no cure for real ills

62 Tax—Irving Blackman
401(k) employee tax shelter a winner

Departments

63 About Oil People
11 Ahead of the News
37 C-Store Briefs
15 Catching Up
66 Classified
18 Coming Meetings
37 Fuel Oil Briefs
12 Late News
8 Letters & Comment
5 Looking Things Over
16 Marketplace
64 News Notes
36 O & E Briefs
16 Trends

The next six months could be the most crucial period oil marketing has faced since industry decontrol in 1981, as continued slim margins and stiff competition in a still shrinking market leave scant relief for many this driving season. **Page 38**

Cover art by Anne Feiza, Chicago

Few gasoline marketing controversies leave the major oil companies as polarized as does alcohol fuels. A wrap-up of the corporate stances and marketing strategies employed in the market share fight . . . **Page 42**

Missourian K.C. Jones' profit stream is not a unique discovery, but it runs to the tune of $52,000 year in net profits. And, his full- and self-serve car wash doesn't hurt Jones' fuel sales either. **Page 49**

• TRENDS

Competition Driving Wedge Between Jobbers, Suppliers

The strained relations between the supplier and jobber segments over marketplace activities are growing worse and could wind up with the jobbers beating on the doors of many state capitols for legislative "relief," some observers believe.

A rift began developing between the two segments almost simultaneously with the lifting of federal price and supply controls just over three years ago. Despite many efforts to improve "communications" and "dialogue" since then, relations steadily have deteriorated.

The jobbers, basically, say the majors have been running roughshod over them at retail through their company-supplied outlets. They contend that they often can't compete with these company units at the wholesale prices the companies charge them.

In addition, claim the jobbers, many companies in recent months have been aggressively taking commercial accounts from them, sometimes bidding below their jobber rack prices.

The companies respond by saying that wholesale and retail markets are two different things. Most say they endeavor to keep their wholesale prices competitive with other wholesale prices, and their company retail units competitive with what others are posting at retail.

There had been a few faint hopes as the driving season got underway that retail prices might firm up, providing some improvement in retail conditions. [See page 38.] Many marketers also were watching developments in the Persian Gulf and wondering if the escalating Iraq-Iran war might lead to another supply shortage.

But as the summer drug on, pump postings remained at rock-bottom, and there had been little market reaction to the sinking of oil tankers in the Gulf by mid-June. Instead of the better margins that marketers awaited, there was more and more talk of jobbers being "in trouble."

Jack Griffith, president of the National Oil Jobbers Council outlined jobber concerns in letters he wrote in late April to most major oil company executives. These letters followed visits Griffith and Phillip Chisholm, NOJC's executive vice president, had made to the companies earlier.

During the company visits, Griffith said several suppliers expressed concern over some of their jobber customers not pulling their minimum contractual volumes and the unwillingness of many to take actions necessary to survive in the future.

Several suppliers, said Griffith, considered their jobber contracts "one way" documents—with jobbers switching to other suppliers when they found a better price.

One option the suppliers frequently mentioned to counter this, said Griffith, was that of channeling more product through their retail dealers and direct-operated stations. One supplier candidly told Griffith and Chisholm that if he had a choice to sell a gallon of product through his retail operation or at the rack, he would prefer to sell to the dealer (everything else being equal).

Griffith had said in his earlier report to jobbers about the supplier visits that an obvious response to supplier concern about jobbers not pulling their contractual volumes was to tell the suppliers to be price competitive, and there would be no problems.

"The greatest breakdown in communications between us and suppliers, however, is in the definition of 'being competitive'," Griffith told the jobbers. "They perceive that to us, 'being competitive' means offering a lower price."

In his later letters to supplier executives, Griffith told them that "marketers' concerns about their continued competitive viability remain high. They generally respect your position as a supplier in terms of your need to have a reliable outlet . . . but insist they can be reliable outlets only if the supplier prices in a competitive fashion."

Marketers, wrote Griffith, "are not assuaged by assurances that their supplier will keep them competitive with comparable wholesale prices. They must meet competition at retail—competition often provided by their own supplier."

Marketers do not like being told directly or indirectly "that they do not belong in certain markets or conversely that certain markets are going to be served directly by suppliers," he said, adding: "This is especially true when marketers have previously made capital investments in those markets often at their supplier's suggestion."

"Perhaps the most troubling thing I have seen from my visits with my fellow marketers is an 'escalating militancy,'" Griffith wrote, a mood focused on seeking legislative remedies. Sixteen state legislatures this year have voted on or currently are considering major company retail divorcement proposals, according to sources, with many backed by jobbers.

—Marvin Reid

• MARKETPLACE AT A GLANCE

AVERAGE GASOLINE PRICES IN THE U.S. (¢ per gal.)

APRIL	Gasoline (All types)	Leaded Regular	Unleaded Regular	Unleaded Premium
U.S. City Avg.	$1.211	$1.145	$1.227	$1.375
Regions:				
Northeast	1.216	1.149	1.216	1.370
North Central	1.230	1.178	1.294	1.485
South	1.185	1.112	1.197	1.344
West	1.220	1.140	1.244	1.411

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

STOCKS (Add 000 bbl.)

	6/1/84	6/3/83
Gasoline (total)	252,042	225,670
Gasoline (unleaded)*	109,658	93,559
Jet Kerosine	34,437	36,460
Distillates	99,853	111,866
Residual	47,941	47,576

**Included in gasoline total.*
Source: American Petroleum Institute.

Secondary Storage Is Surprisingly High, Quite Underused, But Flexible, Says NPC

The National Petroleum Council's latest appraisal of oil's product storage capacities and working inventories is chockful of fascinating data for marketers and economic planners.

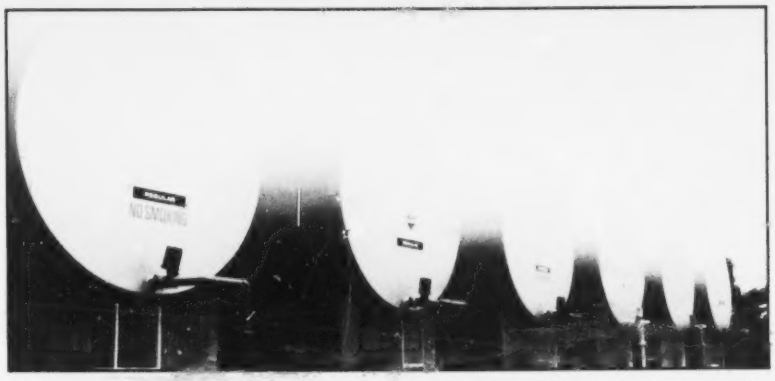
Here are some of the highlights:

- The secondary and tertiary segments have almost twice as much storage capacity as the industry experts had previously "guess-timated" several years ago.
- Excluding crude oil, the industry has a storage capacity approaching 75-billion gal. On a continuing basis, however, it generally uses less than half to as little as a third of it most of the time.
- Even though working inventories appear to be on the low side, there's no cause for concern. NPC says all can be considered "satisfactory" under normal conditions.

NPC cautioned its findings were based on data collected on March 31, 1983 and that some information, including inventories, could have changed since then and probably will change in the future as the system reacts to variations in supply, demand, price and other economic factors.

NPC, a quasi-official body, made the study at the request of the federal government, which asked it to update a report issued in 1979. An interim report dealing with primary storage capacity and inventories, also as of March 31, 1983, was issued last winter [NPN—Jan. '84, p29]. This article is based on a final draft of the 1984 report which was expected to be approved by NPC in late June.

The most striking part of the new report, however, was the evaluation of the secondary and tertiary segments of the industry.



NPC's survey is the first to give concrete figures for secondary and tertiary storage capacity.

This was the first time a study had been made in anything approaching a hard-nosed manner. The 1979 secondary-tertiary study, NPC conceded, was strictly estimates. This time, sample surveys were made of bulk plant operators and extrapolated to reflect the industry; and data on the retail segment were developed from published literature and discussions with industry representatives. Similarly, storage capacities and inventory for the tertiary segment were estimated by using published data, surveys, and interviews with industry people and analysts, NPC said.

For purposes of its study, NPC defined the secondary distribution system as bulk plants with storage capacities of less than 50,000 bbl. and no barge, ship or pipeline links to supplies; and retail motor fuel outlets such as service stations and truck-stops.

It came to the conclusion that approximately 18,000 companies owned and/or operated bulk plants in the U.S. on March 31, 1983, as follows:

Bulk Plants
(millions of gal.)

	Capacity	Inventory
Motor gasoline	924	378
Kerosine	168	42
Diesel distillate	1,554	336
Residual	252	84
Total	**2,898**	**840**

NPC estimated that as of March 31 1983, there were 210,000 retail outlets with an average storage capacity of 16,800 gal. and an inventory of 5,600 gal. This is its bird's eye summary:

Retail Outlets
(millions of gal.)

	Capacity	Inventory
Motor Gasoline	3,318	1,092
Diesel distillate	210	84
Total	**3,528**	**1,176**

The council then did a recap on the secondary system so that the bulk plants

Estimated Storage Capacity and Inventory In the U.S. Petroleum Distribution System

(as of March 31, 1983)
(gal. for product, bbl. for crude oil; add 000,000 in both cases)

	Primary			Secondary			Tertiary			Total U.S.		
	Capacity	Inventory	% Utilized	Capacity	Inventory	% Utilized	Capacity	Inventory	% Utilized	Capacity	Inventory	% Utilized
Gasoline	19,152	9,366	48.9%	4,242	1,470	34.7%	4,326	1,764	40.8%	27,720	12,642	45.6%
Kerosine	882	378	42.9	168	42	25.0	(a)	(a)	—	1,050	420	40.0
Kero-Jet fuel	2,856	1,470	51.5	—	—	—	882	462	52.4	3,738	1,932	51.7
Distillate	12,390	4,956	40.0	1,764	420	23.8	11,844	5,502	46.5	25,998	10,878	41.8
Residual	6,006	1,932	32.2	252	84	33.3	9,954	3,612	36.3	16,212	5,628	34.7
Total (b)	**41,286**	**18,102**	**43.8**	**6,426**	**2,016**	**31.4**	**27,006**	**11,340**	**41.9**	**74,718**	**31,440**	**42.0**
Crude oil (c)	499	313	62.7	—	—	—	—	—	—	499	313	62.7

(a) Included in distillate for tertiary storage segment; (b) Totals include surveyed products only. These inventory levels and utilization of storage represent satisfactory levels under normal operating conditions, according to the National Petroleum Council. Also, totals may not add up, due to independent rounding; (c) Excludes 31-million bbl. of Alaskan North Slope crude in transit.

Source: National Petroleum Council, Study of Petroleum Inventories and Storage Capacity, draft copy prepared in May for NPC meeting in late June 1984.

End-user stocks are fine, but price jumps or oil shortages could 'disrupt the system.'

and the motor fuel outlets would be considered as a block. These are its totals:

Secondary Distribution System
(millions of gal.)

	Capacity	Inventory
Motor gasoline	4,242	1,470
Kerosine	168	42
Diesel/distillate	1,764	420
Residual	252	84
Total	**6,426**	**2,016**

The council defined the tertiary segment as the end users of the products. It divided them into seven broad sectors, as follows: agricultural, commercial, electric utilities, industrial, military/government, residential and transportation. The study group gave no estimate of the population of each of the groups but concentrated on the capacities and the inventories, both by categories and by products.

These are its summaries in both areas:

Tertiary Storage Segment
(millions of gal.)

By Sector	Capacity	Inventory
Agricultural	1,722	588
Commercial	1,554	336
Elec. Utils.	8,946	3,822
Industrial	2,562	714
Military/Gov't.	2,352	966
Residential	4,200	2,310
Transportation	5,628	2,562
Total	**26,964**	**11,298**
By Product		
Motor Gasoline	4,326	1,764
Kerosine, diesel and distillate	11,844	5,502
Kero-Jet fuel	882	462
Residual	9,954	3,612
Total	**27,006**	**11,340**

NPC, in its commentary, stressed that inventories in the secondary and tertiary segments normally represent additional volumes that can be used to maintain continuous supply of products. However, it added, "circumstances such as expectations of either a near-term substantial price increase or a crude oil shortage can cause very rapid increases in call for product. These increases, in turn, could disrupt the system."

In the case of gasoline, it was explained: "A rapid surge in product call by the tertiary segment to fill the 61-million bbl. of unused capacity could, potentially, drain both the secondary system of its 15-million bbl. of gasoline and the primary system of its 23-million bbl. of gasoline above the minimum operating level.

"A surge in call by the secondary system, which has 66 million bbl. of unused gasoline storage capacity, could also drain the primary system of its supply cushion. Similar examples extracted from the survey data for distillate and residual fuel oils would appear even more extreme, but it should be noted that as of March 31, 1983, inventories of these heating fuels would be expected to be low, and unused tankage relatively high."

NPC emphasized that the likelihood of such surges would be mitigated by such factors as these:

—The demand surge would not be a consumption surge. It would be merely a transfer of products from one system to another.

—Holders of secondary and tertiary inventories would not necessarily experience a demand surge for all products in all geographic areas at the same time.

—Refineries continually replenish the primary system, and, in addition, spare refining capacity of at least 1-million to 2-million b/d could be used to handle demand surges.

—Space must be reserved for tank tops and safety allowances and operating flexibility, so filling to the top is virtually impossible in most instances.

Petroleum Futures: Do They Affect Product Inventories?

The National Petroleum Council, in its report on product storage capacities and inventories, also took a look at the petroleum futures market and its possible effect on supply shortages.

"A concern exists," said the council, "that in the event of a supply shortage, some companies may rely on the futures market for delivery of 'wet barrels' (the physical commodity), only to find that the 'wet barrels' may not be available.

"Most participants in the market fulfill their contractual obligation to buy or sell through an opposite, offsetting transaction, rather than by delivering or taking delivery of 'wet barrels.' The results of the NPC survey of the primary distribution system and bulk plant operators suggest that, at this time, petroleum futures do not significantly affect the level of inventories." —*J. Richard Shaner*

Mason Res'gns Chair, as Charter Fights Losses

The chairman and chief executive officer of embattled Charter Co., Raymond K. Mason, has stepped aside while creditors and the courts seek a solution to the corporate problems.

Mason, whose father founded the firm as a lumber company in 1919, was succeeded as chairman and CEO by Alexander P. Zechella, 63, who has been with Charter for only a few years but has been serving as its chief operating officer.

Mason, 57, will continue as a board member but is expected to devote most of his attention to other interests. Charter is a multi-billion-dollar insurance and oil conglomerate (Charter Oil Co.) with many of its subsidiaries currently in Chapter 11 bankruptcy.

The Jacksonville, Fla.-based conglomerate reported a $36.2-million loss in the first quarter, compared to a net profit of slightly less than $1-million in the comparable period of last year.

Charter announced that it also is expected to post a "substantial provision for losses" in the second quarter which might result in "a significant reduction or elimination of stockholders' equity."

The sharp drop in the first quarter primarily reflected the operations of its insurance division—which had a loss of $3-million in the first quarter, compared with a profit of $21.2-million a year ago. Financial analysts in early June said the insurance division was close to being spun off by Charter. NPN

Shell Offers Rebates As Building Incentive

Shell Oil is offering its jobbers east of the Rockies an incentive to build new stations or remodel existing facilities through the use of gallonage rebates.

The program, which begins this month, provides jobbers with 2¢ gal. for every gallon over what the old station did. Jobbers who built or rebuilt last year qualify for 0.5¢ gal. rebates. Rebates apply only to gallons sold after July 1.

Dick Garnett, Shell's manager, retail department, says jobbers have indicated an interest in the program, although it is too early to judge actual participation.

Jobbers contacted seem to have mixed feelings on the incentives. "Any assistance you get is welcome," notes one midwestern marketer. "What you really need though is gallonage, not rebates, to compete."

"It seems to be a damn good program," says a western jobber. "I wish it would be available out West." NPN

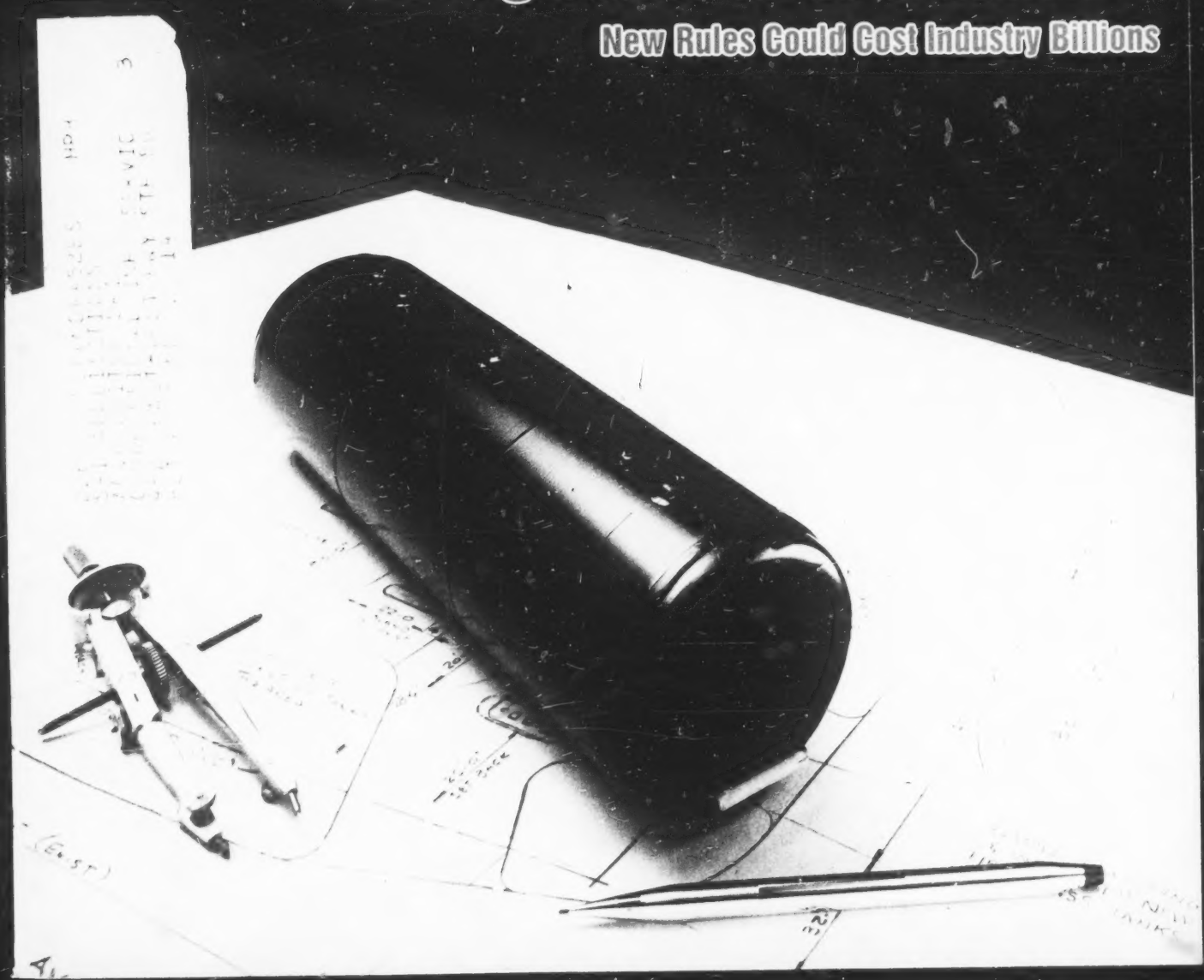
August 1984 $4.50

Fast Food: Fat Margins, But High Risks
How Some Squeeze Profits from Transports
Update on Station Canopies and Lights

NPN
National Petroleum News

Underground Tank Dilemma

New Rules Could Cost Industry Billions



NATIONAL PETROLEUM NEWS

AUGUST 1984 VOL. 76 NO. 8

22 Regional News

22 West Coast
Alaskan, OCS crude to cause tough product marketing for years

23 Rockies
Like NOJC, intermountain oil marketers contemplate name change

25 Midwest
Jobber says bulk oil is simple . . . and it can make you money

26 South
Veteran Gulf marketer has one eye on the axe, the other on his options

27 East Coast
New York, jobbers riled up over proposed open supply, discount bills

30 General News

30 SEIOMA opens crusade for 'equity'

31 '83 refinery count gains seven, loses 18

33 Kerosine demand falls, ASTM mulls new standards

33 Summer-fill pleas get suppliers' cold shoulder

33 Marine Petroleum blames Arco for methanol mess

34 Exxon ready, willing to acquire?

34 Scanlon leaves PMAA to take over PMEF

34 Government shreds 'gas' rationing coupons

34 New tax laws are a mixed bag for marketers

36 Features

36 Cover Report
Underground tank dilemma
New rules could cost the industry billions

44 Operations & Equipment
Canopies and lights update: bigger is better

52 Merchandising
Fast foods can make fast bucks, but be careful

60 Operations & Equipment
Own transports or use common carriers?

79 Legal—Sam Borenkind
Seniority wins out as basis for layoffs

80 Tax—Irving Blackman
Buying a computer? Depreciate and save

Departments

81 About Oil People
15 Ahead of the News
70 C-store Briefs
17 Catching Up
84 Classified
11 Coming Meetings
71 Fuel Oil Briefs
16 Late News
9 Letters & Comment
5 Looking Things over
18 Marketplace
82 News Notes
75 O & E Briefs
77 Products
18 Trends
67 TBA Briefs

Underground storage tanks, which are as essential to the marketing of gasoline and fuel oil as the products themselves, are rapidly becoming one of the biggest challenges and headaches of the modern oil industry—one that is certain to be around for quite a while. **Page 36**

Cover photograph by John Apolinski

Well-lit gasoline station canopies—once considered a luxury but now looked upon as an industry standard—are getting even larger. And, some observers say the structures are as important a drawing card for motorists as price. **Page 44**

Gasoline marketers are starting to sink their teeth into a new trade—fast food service. At projected gross margins of 50% and more, marketers feel they can make a faster buck frying chicken than they can pumping gasoline. **Page 52**

• TRENDS

Feds Say Lead Ban Coming 'Sooner Than You Think'

Just a few years ago, the subject of leaded gasoline and its environmental effects could be pointed to as a classic case of government-industry cooperation on a problem nearly all agreed merited attention. There was a genuine consensus that lead should be removed from gasoline, but in gradual steps that would not be disastrous for refiners and marketers.

That consensus has shifted so radically in recent months that within a year, the legal and administrative machinery probably will be in place to outlaw the use of lead additives in motor fuels, if not immediately, then over a very brief transition period.

The tacit agreement between industry and government that prevailed for half a decade simply has evaporated.

For evidence of that shift, look at what is going on now:

—The Environmental Protection Agency promised in June to issue a proposal that would change its rules on gasoline content either by barring lead additives completely or limiting them to minute amounts (probably 0.1 grams/gallon). The rule change was due in late July, and if it is on time, would be effective by late fall at the latest.

—When small refiners challenged EPA's gradual phase-down of gasoline lead content more than a year ago, the U.S. Court of Appeals in Washington, D.C., not only upheld the EPA rules, but explicitly told the agency it also would uphold a complete ban if it ever were proposed.

—Congress presently is considering legislative proposals on the subject. Like EPA, Congress is eyeing a complete ban or drastic reduction, but lawmakers also are considering bills that would eliminate the price advantage now enjoyed by leaded fuel by hiking the federal excise tax on leaded regular. At least one proposal would add a tax high enough to make leaded gasoline more expensive than any other type, while simultaneously reducing taxes on fuel with octane boosting, alcohol-enhanced gasoline. This approach has some attractive side effects, say legislators, because the higher tax on leaded fuel initially would bring in more money than would be lost by the lower tax on alcohol blends. But even if Congress doesn't pass one of these measures, it's clear that lawmakers will take EPA to task if it doesn't act.

—More than a dozen state legislatures also are considering lead bans, and they've been joined by the cities of Chicago, New York, Washington, D.C., and others.

Taken individually, these developments wouldn't necessarily mean much. After all, this is an election year and there is enough environmental awareness about in the U.S. that an astute politician might find a lead ban proposal a convenient way to make a few points with voters. But the fact that the issue suddenly has cropped up in many places at once is a clear signal there is a kind of "grass roots" sentiment building. There are other signs of that as well.

The Center for Disease Control, the federal public health agency and normally a politically neutral organization, has endorsed a complete lead ban. CDC has a great deal of clout with the general public by itself. (Remember what happened when it warned us about Swine Flu a few years ago?) But when the agency warned that lead in the atmosphere could cause brain damage in young children, it highlighted a concern that's guaranteed to bring the full weight of public opinion to bear against lead additives.

Consumer groups have testified repeatedly in favor of lead bans on Capitol Hill and before the EPA. These groups may not have the clout they enjoyed a decade ago, but they shouldn't be dismissed lightly, either.

The makers of lead additives, most notably Ethyl Corp., have complained that the studies used by EPA, Congress and others are whipping up "hysteria" that isn't justified by the facts. But the complaints probably are too late to change the course that's ahead. Given the temper of the courts, a legal challenge may delay a lead ban, but not for long.

Where lead additives are concerned, the future seems pretty clear. Sooner, rather than later, there won't be any. As they did when price and allocations controls were imposed, and again when controls were lifted, marketers will have to adjust when leaded gasoline disappears. As usual, those who have the biggest adjustment to make will be the independents who pick up much of their supplies from small refiners. The cost of refitting a refinery to produce no-lead gasoline will be prohibitive for those refiners who barely survived the last lead phase-down.

One side note: It's clear there is a market for fuel additives that control engine knock better than most regular unleaded fuels. Methanol-based additives have had their share of bad publicity lately, so its likely that at least for the short term, the beneficiary of the lead ban will be the ethanol industry.

—Thomas Goldsmith

• MARKETPLACE AT A GLANCE

AVERAGE GASOLINE PRICES IN THE U.S. (¢ per gal.)

MAY	Gasoline (All types)	Leaded Regular	Unleaded Regular	Unleaded Premium
U.S. City Avg.	$1.221	$1.154	$1.236	$1.380
Regions:				
Northeast	1.214	1.146	1.215	1.366
North Central	1.237	1.184	1.261	1.430
South	1.189	1.118	1.200	1.345
West	1.251	1.169	1.275	1.441

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

STOCKS (Add 000 bbl.)

	7/6/84	7/8/83
Gasoline (total)	248,862	224,715
Gasoline (unleaded)*	109,456	88,571
Jet Kerosine	35,085	34,651
Distillates	115,818	119,919
Residual	48,389	46,129

**Included in gasoline total.*

Source: American Petroleum Institute.

'83 Refinery Unit Count, With 7 Up and 18 Down, Is Lowest in U.S. History

With a net decrease of 11 refineries in 1983, the U.S. refining industry now has the lowest number of units in its recorded history, according to the federal government's Petroleum Supply Annual—1983, which was issued in mid-June.

The government noted that it began collecting refinery data in 1918. The peak year for the refinery population was 1936 when 632 were actively processing crude oil. Last year there were only 247 as of Dec. 31—an almost amazing decline of 385 plants in less than a half-century.

The government report said the crude distillation capacity of U.S. refineries on Jan. 1, 1984 was 16.1-million b/d, down a scant 0.7-million b/d from the preceding year.

There were 18 closures and 7 reactivations in 1983 as refiners continued to eliminate uneconomic facilities and accelerate consolidations and streamlining.

Significantly, the net reduction in 1983 occurred among the 30,000 bbl. or less facilities. Refining companies lost eight plants in 1983 and have lost a total of 67 since 1980.

Refinery utilization, which had been on the low side in 1980 and 1981, rose in 1983 and achieved 78.1% in September. Refiners indicated they expect 1984 runs to average about 100,000 b/d higher than in 1983.

In New York, Frost & Sullivan, an international research organization, said the U.S. refining industry will have to make multi-billion-dollar investments in the years ahead to upgrade facilities to cope with expected changes in crude oil supply and product demand. It could amount to as much as $16-billion by 2000, the group said.

(The lion's share of the investments will go to upgrading bottom-of-the-barrel fractions coming from higher sulfur crudes. The second biggest segment will focus on regulatory requirements to keep octane ratings high, while phasing out lead in gasoline, Frost & Sullivan said.)

Even though the previously idled Amerada-Hess refinery at Port Reading was listed as a 1983 casualty, the company says construction work is continuing, and the facility is expected to be re-opened by the end of this year. It is to have a cat cracker capacity of 45,000 b/d and will operate on feedstocks from the company's Virgin Islands refinery. NPN

Refinery Closures—1983

District/Refinery	Location	Crude Distillation Capacity b/d	Years In Operation
PAD District I			
Amerada Hess Corp.	Port Reading, N.J.	68,000	25
Quaker State Oil Refining Corp.	Emlenton, Pa.	0	25+
Total		**68,000**	—
PAD District II			
Champlin Petroleum Co.	Enid, Okla.	53,800	25+
Hudson Refining Co. Inc.	Cushing, Okla.	19,000	6
Mobil Oil Corp.	Augusta, Kans.	50,000	25+
Total		**122,800**	—
PAD District III			
Erickson Refining Corp.	Pt. Neches, Texas	30,000	4
GHR Energy Corp.	Good Hope, La.	300,000	15
Independent Refining Corp.	Winnie, Texas	50,000	23
Mallard Resources Inc.	Gueydan, La.	7,400	4
Marion Corp.	Theodore, Ala.	25,000	15
McTan Refining Corp.	St. James, La.	19,300	6
Petraco-Valley Oil Refining Co.	Brownsville, Texas	12,300	5
Pioneer Refining Ltd.	Nixon, Texas	15,000	9
Shore, Inc.	Kilgore, Texas	550	3
Thriftway Oil Co.	Graham, Texas	1,184	25+
Total		**460,734**	—
PAD District IV			
Silver Eagle Oil Inc.	La Barge, Wyo.	1,500	9
PAD District V			
Arizona Fuels Corp.	Fredonia, Ariz.	6,000	11
Demenno-Kerdoon	Compton, Calif.	10,000	6
TOTAL		**16,000**	—
U.S. TOTAL		**669,034**	—

Refinery Reactivations—1983

District/Refinery	Location	Crude Distillation Capacity (b/d) Operating	Idle
PAD District I			
None			
PAD District II			
Flying J	Williston, N.D.	1,830	2,750
Sinclair Oil Corp. (formerly Texaco Inc.)	West Tulsa, Okla.	50,000	0
Total		**51,830**	**2,750**
PAD District III			
Caribou-Four Corners	Farmington, N.M.	0	2,200
Tropicana Energy Co. (formerly TARCO)	Euless, Tex.	0	4,650
Total		**0**	**6,850**
PAD District IV			
None			
PAD District V			
Coastal Petroleum Co.	Paloma, Calif.	10,000	0
Gibson Oil & Refining Co.	Bakersfield, Calif.	0	3,000
West Coast Oil Co.	Oildale, Calif.	0	19,000
TOTAL		**10,000**	**22,000**
U.S. TOTAL		**61,830**	**31,600**

Kerosine Deliveries in 1983

Destination	Residential		Commercial		Industrial		Farm		All Other		Total	
	1983	1982	1983	1982	1983	1982	1983	1982	1983	1982	1983	1982
PAD District I												
New England States												
Connecticut	239	263	1	1	2	2	0	0	105	115	347	381
Maine	247	272	20	22	4	4	3	4	13	14	287	316
Massachusetts	464	510	25	28	12	13	1	1	196	216	698	768
New Hampshire	213	234	7	8	0	0	1	1	5	5	226	248
Rhode Island	112	123	2	2	0	0	0	0	0	0	114	125
Vermont	140	154	24	26	0	0	4	5	2	2	170	187
Central Atlantic States												
Delaware	295	324	11	12	1	1	2	2	1	1	310	340
District of Columbia	4	4	1	1	1	1	0	0	0	0	6	6
Maryland	604	664	80	88	17	19	8	9	23	25	732	805
New Jersey	321	353	87	96	127	140	0	0	743	817	1,278	1,406
New York	1,670	1,836	181	199	119	131	21	23	338	372	2,329	2,561
Pennsylvania	1,995	2,194	214	236	301	331	23	25	133	146	2,665	2,932
Lower Atlantic States												
Florida	206	227	201	221	4	4	11	12	511	562	933	1,026
Georgia	56	62	130	143	2	2	11	12	85	94	284	313
North Carolina	1,841	2,025	30	33	33	36	159	175	57	63	2,120	2,332
South Carolina	478	526	23	25	10	11	13	14	26	29	550	605
Virginia	953	1,048	31	34	63	70	48	53	57	63	1,153	1,268
West Virginia	284	312	15	16	73	81	1	1	30	33	403	443
Total	**10,122**	**11,131**	**1,083**	**1,191**	**769**	**846**	**306**	**337**	**2,325**	**2,557**	**14,605**	**16,060**
PAD District II												
Illinois	281	335	6	7	42	50	15	18	24	29	368	439
Indiana	288	343	15	18	100	119	51	61	42	50	496	591
Iowa	251	299	30	36	12	14	51	61	34	40	378	450
Kansas	15	18	6	7	21	25	6	7	142	169	190	226
Kentucky	442	527	70	83	100	119	40	47	305	364	957	1,140
Michigan	469	559	15	18	60	72	15	18	64	76	623	743
Minnesota	160	191	3	4	0	0	27	32	3	4	193	231
Missouri	103	123	490	584	9	11	33	40	18	22	653	780
Nebraska	24	29	12	14	12	14	27	32	3	4	78	93
North Dakota	18	22	3	4	0	0	0	0	0	0	21	26
Ohio	765	912	51	61	159	191	40	47	1,134	1,352	2,149	2,563
Oklahoma	12	14	203	242	42	50	15	18	115	137	387	461
South Dakota	18	22	9	11	0	0	3	4	0	0	30	37
Tennessee	454	541	112	133	12	14	0	0	345	411	923	1,099
Wisconsin	66	79	109	130	21	25	3	4	3	4	202	242
Total	**3,366**	**4,014**	**1,134**	**1,352**	**590**	**704**	**326**	**389**	**2,232**	**2,662**	**7,648**	**9,124**
PAD District III												
Alabama	607	534	376	331	232	204	28	25	723	636	1,966	1,730
Arkansas	58	51	86	76	232	204	28	25	174	153	578	509
Louisiana	86	76	376	331	1,707	1,501	319	280	4,050	3,562	6,538	5,750
Mississippi	58	51	145	127	116	102	28	25	28	25	375	330
New Mexico	203	178	174	153	86	76	0	0	202	178	665	585
Texas	405	356	1,476	1,298	1,620	1,425	175	153	7,840	6,895	11,516	10,127
Total	**1,417**	**1,246**	**2,633**	**2,316**	**3,993**	**3,512**	**578**	**508**	**13,017**	**11,449**	**21,638**	**19,031**
PAD District IV												
Colorado	113	170	16	23	5	8	31	46	10	15	175	262
Idaho	0	0	5	8	10	15	0	0	5	8	20	31
Montana	0	0	0	0	0	0	0	0	0	0	0	0
Utah	31	46	31	46	16	23	0	0	51	77	129	192
Wyoming	0	0	10	15	5	8	0	0	78	116	93	139
Total	**144**	**216**	**62**	**92**	**36**	**54**	**31**	**46**	**144**	**216**	**417**	**627**
PAD District V												
Alaska	0	0	23	24	1,176	1,220	0	0	17	18	1,216	1,262
Arizona	0	0	12	12	0	0	0	0	6	6	18	18
California	17	18	312	324	64	66	58	60	64	66	515	534
Hawaii	0	0	0	0	0	0	0	0	0	0	0	0
Nevada	12	12	6	6	0	0	0	0	0	0	18	18
Oregon	58	60	12	12	0	0	6	6	17	18	93	96
Washington	69	72	17	18	75	78	0	0	23	24	184	192
Total	**156**	**162**	**382**	**396**	**1,315**	**1,364**	**64**	**66**	**127**	**132**	**2,044**	**2,121**
U.S. Total	**15,205**	**16,769**	**5,294**	**5,347**	**6,703**	**6,480**	**1,305**	**1,346**	**17,845**	**17,016**	**46,352**	**46,963**

Source: Petroleum Supply Annual—1983, Energy Information Administration, issued in mid-June, 1984.

Kerosine Demand Falls; ASTM Mulls Standards

Except for six South and South-Central states, U.S. kerosine demand fell in 1983, according to a recent Energy Information Administration (EIA) report on kerosine deliveries.

In the June report, EIA breaks down kerosine deliveries into five categories: residential, commercial, industrial, farm and "all other."

Last year, kerosine deliveries increased a big 14% in PAD III, encompassing Alabama, Arkansas, Louisiana, Mississippi, New Mexico and Texas. A total of 21.638-million bbl. of kerosine was delivered in those states.

But the Rocky Mountain area registered the biggest decline in deliveries, falling 33% to 417,000 bbl. Figures for other PADs show smaller declines occurring in all five categories.

Deliveries to PAD II, which includes the large midwestern industrial states of Illinois, Michigan and Ohio, fell 16% to 7.648-million bbl. Experiencing smaller declines were PADs I and V, which include the East and West Coasts. Deliveries in the East fell 9% to 14.605-million bbl., while West Coast deliveries fell 4% to 2.04-million bbl. last year.

On the national scale in spring 1983, some 42-million gal. of kerosine was in stock in bulk plants and an insignificant volume at retail, according to unique secondary storage data from the National Petroleum Council.

While observers tried to find the reasons behind lessened demand for kerosine, the American Society for Testing & Materials was preparing a voluntary kerosine container labeling standard. ASTM, fearful about possible safety hazards with the kerosine space heater boom, want kero and gasoline containers to be color-coded and labeled with danger signs.

An ASTM spokeswoman says the new standard would call for red for gasoline, blue for kero.

ASTM in late June also was considering a proposal to require that ethanol meet its new specification for "spark ignited ingition fuel" [NPN—Mar. '84 p.11].

Washington, D.C.-based Information Resources, Inc. says 30 states automatically adopt ASTM standards into law, including California and Illinois,—states where gasohol has captured a sizeable portion of the motor fuel market.

Information Resources says that opponents of the proposal say blenders would be affected the most since the mixture called for by the standard could only be blended at the refinery level.

Vote totals on ASTM's proposal were unavailable in late June. NPN

Summer-Fill Pleas Get Suppliers' Cold Shoulder

Jobber organizations' and northeastern Congressmen's efforts to jawbone the major oil companies into reinstating summer-fill heating oil programs remains just that—talk.

Only five out of the 17 suppliers answered the Petroleum Marketers Assn. of America's (formerly the National Oil Jobbers Council) May letters on behalf of summer-fill by late June. And, the responses PMAA did receive were negative.

"I think it's a very self-serving campaign by NOJC," says one marketing vice president of a major heating oil supplier to the Northeast. He says his company and practically every other supplier today rejects summer-fill programs because it costs roughly 1.5¢ gal./month to hold distillate.

"Summer-fill will raise the price of distillate, not lower it, because those costs have to be borne somewhere," he notes.

"They say they don't find there is a need for reinstitution of that program," says Mark Decker, a PMAA spokesman. "They believe that there are adequate supplies to meet normal winter demands and adequate incentive for marketers to build inventories in the free market. It tells us about the lack of commitment and generally the relationship between a supplier and his marketer today."

Another letter campaign which was launched by at least 70 northeastern Congressmen in mid-June to suppliers yielded no responses by the end of the month. A congressional spokesman said that the companies needed more time and that he remained "optimistic." "Letters from 70 members of Congress are nothing to put in the trash can," says Don Berno, House Small Business Committee advisor.

But by last month, congressional support of summer-fill was all talk and no teeth. The representatives have not discussed legislative alternatives to their letter-writing campaign, and Berno says Congress will not have time to draft proposals on the issue this session.

Even many marketers themselves held out little promise of a positive reply from supplier companies. Most majors' summer-fill programs either have been diluted or dropped in the past three or four years.

"Summer-fill is a costly procedure. I can certainly see the refiner's point of view," says Richard Chodosch, a 4-million-gal.-a-year New Jersey fuel oil jobber who has discontinued storing product himself. "It means refiners have to give you the product and defer billing, then carry the costs of that product at today's interest rates."

Chodosch had a half-million-gal. storage capacity. He estimated that at current fuel prices, it would have cost him about $20,000 in interest to store oil for three or four months at 14% interest.

"That's almost 4¢ a gal., and I couldn't afford that," he says. "I am not willing to gamble that the price of oil will have gone up."

Although PMAA applauded the congressional campaign, it prefers lawmakers' zeal stop with letters. "I don't think jobbers want the government back in their business," Decker explains.

He also fears state governments may adopt legislation encouraging other sources of energy. He says a Massachusetts government study this year, for example, concluded the state was too dependent on fuel oil for its heat.

"Just about every governor in the Northeast was concerned about price hikes and communicated that concern to the Federal Trade Commission and the Justice Department," Decker says.

Consumer complaints of dramatic and rapid price hikes during last season's cold snap put pressure on government officials and jobbers alike. Industry sources say retail prices in some markets rose by 20¢ gal. in January.

Jobbers say supply was tight, but there were no shortages. And, they say they suffered no business losses, just a lot of bad publicity. But jobbers say current low inventories may point to similar problems next season.

"This could give fuel oil a black eye" after the market finally stabilized from the turmoil of the late 1970s PMAA's Decker says. "There is a gasoline glut right now, so there's no incentive for refiners to crank out No. 2 because they'll get a lot of gasoline with it." NPN

St. Louis Marine Blames Arco for Methanol Mess

Marine Petroleum, the marketer blamed for a 1982 St. Louis methanol blend fiasco, is now pointing a finger at Arco blaming it for the embroglio that drew more than 1,000 motorist complaints and a suit by the Missouri Attorney General.

Marine is suing Arco for $21.5-million, charging that it was used as a "guinea pig" for Oxinol methanol blends. The company accuses Arco of fraud, breach of contract, and negligence in its complaint, which was filed in June in a Philadelphia federal court.

Marine paid Arco $9.9-million for shipments of two types of Oxinol products, but received blends with improper concentrations of methanol, according to the company's attorney. The company alleges that even the two products it meant

Fuel Oil Briefs

'83 Home Heating Oil Dipped 9-Million Bbl.

Deliveries of distillate oil for home heating declined another 9-million bbl. in 1983, the Department of Energy says in a report issued in mid-June.

The Petroleum Supply Annual—1983 notes that domestic consumption is now almost 100-million bbl. less than the 1979 total of 270-million bbl. Figures show 1978 was probably the peak year for residential consumption, but because the government changed its data collection base beginning with 1979, the totals are not comparable.

Total distillate consumption rose slightly in 1983 after four straight years of decline. This was attributable mostly to a 7% increase in diesel fuel for on-highway use.

On the other hand, total distillate consumption is down 232-million bbl. since 1979, when it ran 1.2-billion bbl. for the year. [See related story on kerosine demand on page 33.]

Residual consumption also declined in 1983, the government report says. It dropped 20.8% below 1982's total and is now 99.4% less than the 1979 level of 1.0-billion bbl.

Distillate Deliveries in 1983 (Add 000 bbl.)

Use	1979	1980	1981	1982	1983
Residential	270,306	227,361	197,400	180,760	171,783
Commercial	99,723	92,136	78,663	75,699	72,809
Industrial	99,583	86,089	80,216	71,340	69,332
Oil Company	22,043	24,205	29,185	29,482	29,957
Farm	84,926	73,615	69,665	68,453	66,697
Electric utility	46,579	31,812	18,192	12,134	11,744
Railroad	103,493	102,022	100,482	93,150	91,681
Vessel bunkering	41,725	35,201	41,025	33,885	33,785
On-highway diesel	327,402	323,431	340,002	338,006	362,276
Military	18,570	19,138	17,763	15,201	15,924
Off-highway	65,212	51,705	38,851	37,118	36,737
All other	34,812	19,994	21,032	19,639	19,201
U.S. Total	**1,214,374**	**1,086,709**	**1,032,476**	**974,864**	**981,927**

Residual Deliveries in 1983 (Add 000 bbl.)

Use	1979	1980	1981	1982	1983
Commercial	82,729	98,034	67,035	65,781	46,743
Industrial	198,759	163,564	117,024	122,619	89,573
Oil company	51,062	59,519	51,870	45,319	32,820
Electric utility	486,636	390,105	325,486	227,419	204,238
Railroad	245	665	178	170	140
Vessel bunkering	190,543	213,131	188,632	152,586	136,290
Military	7,736	8,066	7,008	7,829	5,411
All other	16,900	4,382	4,795	4,784	3,389
U.S. Total	**1,034,610**	**937,466**	**726,030**	**626,510**	**518,604**

NEW

'84-'85 Distillate Outlook Same as '83-'84

Government forecasters, in their mid-summer look at next winter's heating oil prices and supplies, say things are going to be about the same in 1984-85 as they were in 1983-84.

They believe wholesale prices for No. 2 heating oil will average 83¢ gal. during all four quarters of 1984, will rise to 84¢ gal. in the first quarter of 1985, then ease back to the 83¢ level in the second quarter.

Retail prices, which averaged $1.13 gal. in the first quarter of 1984 before dropping 6¢ gal. to $1.07 in the second quarter, will bump along at that level in the third and fourth quarters, for a year-long average of $1.08 gal. There could be a 1¢ increase in the first quarter of 1985 then, paralleling the wholesale decline, a 1¢ slippage to $1.08 gal. in the second quarter.

Residual fuel oil will be better off, the government experts say. Resid, long in a slump, rose to 72¢ gal. in the first quarter of 1984, but softened in the second, third and fourth quarters to make the

A Conversation Accent For Office, Shop or Family Room Wall

OLD-TIME GASOLINE PUMP SIGNS

Buy Separately Or Save On Set

Use indoors or out. Authentic reproductions in color and design of signs used on pumps and walls of the "remember-when days" gasoline stations. Each 11½-in. diam. sign is made of 18-gauge steel. Designs are imprinted with steel screen process, then finished in fired-on porcelain enamel. Choose an individual sign, two or more in any design combination or save more, buy the set!

20001 Pump Sign ..... Each $14.95
20002 Pump Sign Set. (1 of each.) ..... Set 99.95

Mail Coupon Now! Guaranteed Satisfaction

N884

Executive Gift Guild
Box 894, Mount Prospect, IL 60056

Please ship Pump Signs (20001) I've indicated below at $14.95 each, plus shipping and handling (shown at right).

State
Quantity A___B___C___D___E___F___G___H___.

Please ship_____Pump Sign Sets (20002) at $99.95, plus $5 shipping for each set.

Shipping Charges
1...$2.65
2... 3.15
3... 3.65
4... 4.50
5... 5.00
IL residents add 7% Sales Tax

☐ Check or Money Order Enclosed for $_____

☐ Charge $ _____ to my ☐ VISA ☐ MasterCard Account.

Card No. _____ Exp. Date _____

Signature _____

Name _____

Address _____

City _____

State _____ Zip _____

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, p. 7, 9,, 18, 20-21,

32.

236 GUSCONGR452ESC HPB
SRI ACQUISITIONS
ACCU EDITOR SRI
CONGRESSIONAL INFO SERVIC
4520 EAST-WEST HWY STE 80
BETHESDA MD 20814 3

Lives Not By Oil Alone

Different Paths to Shore Up

PMAA Show Issue

NATIONAL PETROLEUM NEWS

SEPTEMBER 1984

VOL. 76 NO. 9

20 Regional News

20 Midwest
Getty marketers ready to go Texaco but anxious over future

21 Rockies
Colorado meeting to cover below-cost selling, ethanol breaks

22 East Coast
Despite eight straight dry holes, Shell seeks Atlantic 'elephant'

24 South
Marketer sues Gulf over antitrust matters, gasohol rights

25 West Coast
Arco's Calif. debit tests continue; 2,000-unit network awaits

31 General News

31 Overcharge cases showing real progress
32 Poor markets and margins dampen 2nd quarter earnings
32 Indie Kirschner converts six units to Arco flag
33 Industry arms as fed readies tank regulations
35 Despite disaster, Union promises return to normal
35 China to host oil jobbers in business exchange
36 Amoco, Marathon respond to jobber cries for summer-fill
36 City dealers await urban insurance renewal

38 Features

38 Cover Report
Live not by oil alone:
Different paths to shore up profits
- Three jobber case studies

52 Management
Jobber credit cards *can* pay off

55 Diesel
Economy boosts truck—not car—diesel

59 Special Section
1984 PMAA show guide

113 Legal—Sam Borenkind
New Jersey law may kill terminal sales

114 Tax—Irving Blackman
Hire spouse to cash in on tax savings

Departments

117 About Oil People
15 Ahead of the News
91 C-Store Briefs
17 Catching Up
119 Classified
11 Coming Meetings
16 Late News
9 Letters and Comments
5 Looking Things Over
118 News Notes
89 O & E Briefs
94 Products
18 Trends / Marketplace
85 TBA Briefs

Dangerously low fuel margins and devastating competition are forcing oil marketers to either go belly-up, give up, sell out or . . . branch out. Selective diversification has sustained or improved the bottom line of many oil marketers, including those in this story. **Page 38**

Cover illustration by John Tyszko

Special Section: The inside story from Jack Griffith on why 'PMAA' ousted 'NOJC;' the group's officers; a culinary and tourist guide to the convention locale, New Orleans, La., and more . . . **Page 59**

While many majors have shown what their credit cards cost them, some jobbers have proved their own cards make money for them on the local level . . . if managed properly. **Page 52**